LEKWA-TEEMANE LOCAL MUNICIPALITY

"NW 396"

BUDGET/AND REVIEWED IDP

2013/14 TO 2015/16

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PART 1 – ANNUAL BUDGET

1. MAYOR's REPORT

It is a great honour to present to you the multi-year budget for Lekwa-Teemane Municipality in respect of the 2013/14, 2014/15 and 2015/16 financial years.

President Jacob Zuma, in his State of the Nation Address in February this year stated: "On the 15th of August last year, the National Planning Commission handed over the National Development Plan (NDP), the vision of the country for the next 20 years, to the President in this august house. The NDP contains proposals for tackling the problems of poverty, inequality and unemployment. It is a roadmap to a South Africa where all will have water, electricity, sanitation, jobs, housing, public transport, adequate nutrition, education, social protection, quality healthcare, recreation and a clean environment."

The Honourable President further said: "The National Development Plan provides a perfect vehicle for united action precisely because it has the support of South Africans across the political and cultural spectrum. Leaders in every avenue should be ready to rise above sectional interests and with great maturity, pull together to take this country forward."

Honourable Speaker, Local Government will be amiss if we do not align ourselves, our IDPs, and indeed our vision for a more vibrant local community, with this progressive plan. We need to work towards restoring our Municipality's financial viability to facilitate the maximum alignment, to the benefits from the NDP in future budgets. This alignment requires a sustainable financial position where our developmental planning should be aligned to the NDP and funding should go beyond relying on grants to improve and expand our infrastructure development.

This address will seek to outline and highlight some of the key points of our budget and budget process.

REVENUE & EXPENDITURE SUMMARY

OPERATIONAL BUDGET	
TOTAL OPERATING REVENUE	R 179.672 million
TOTAL OPERATING EXPENDITURE	R 229.309 million
DEFICIT	R 49 637 million

CAPITAL BUDGET	
FUNDING CAPITAL BUDGET - MIG	R 14.420 million
FUNDING CAPITAL BUDGET – INTERNAL FUNDS	R 5.847 million
TOTAL CAPITAL EXPENDITURE	R 20.267 million

ELECTRICITY

The increase in the electricity tariffs as approved by the National Electricity Regulator of South Africa will result in a 7.0% increase in the bulk purchases for 2013/14 financial year. This increase is above the headline inflation forecasts. The guideline increase for municipalities to pass on to their consumer is 7.0%.

Honourable Speaker, you are aware of the huge electricity losses experienced by Lekwa-Teemane Municipality through defective meters, technical losses, tampering, illegal connections and theft. The municipality commissioned an assessment of the large users of electricity service and also to implement the findings to address these losses. The replacement of the pre-payment vending system will be finalised before the start of the new financial year. This will enable the replacement of the defective pre-payment meters with additional revenue to re-invest in further meter replacement and other electricity efficiency initiatives.

Eskom has been approached to implement tariff parity in the bulk purchase price of electricity between the Christiana and Bloemhof accounts. A response is currently awaited from Eskom that, in the event of an approval, will result in a saving of ± R5 – R6 million per annum in the bulk cost of electricity. This anticipated saving has already been factored into the 2013/14 budget for the purchase of electricity.

PROPERTY RATES

The new general valuation roll came into effect on 1 July 2011 and the Rates Policy has been amended to make provision for the new categories of properties and categories of owners.

The Municipal Property Rates Act makes provision for the rating of farms, and in attempt to broaden the rates base farms have been included in the rates calculations. Recent meetings with both the Bloemhof and Christiana farming communities effectively re-established the communication process. The meetings also assisted to establish and pinpoint the breakdown in the legal process. Corrective actions will be now be implemented in the next weeks approaching the new financial year.

Council, during the approval of the 2012/13 budget, approved a 15% rates increase for the 2013/14 financial year and this has been factored into the 2013/14 rates tariffs. There will be rates exemption up to R50 000 of the valuation for residential properties in 2013/14.

GOVERNANCE

The Internal Audit Activity stills operate under a Shared Internal Audit Services This is an indication of a commitment in promoting the intergovernmental relations between the participating Municipalities. A risk based audit plan has been developed and systems of internal control were found to be lacking in the Municipality which is also a major contributing factor to the disclaimer audit opinion. The development of an effective system of internal controls will be high on the priority list for the 2013/14 financial year as we keep working towards a clean audit by 2014.

FREE BASIC SERVICES

The total Equitable share allocation for the 2013-2014 financial year amounts to R30 312 000. Of this an amount of R 2 197 000 is specifically earmarked for special contributions towards councillors remuneration and ward committees.

This leaves an amount of R 28 115 000 which could be used for Free Basic Services. Currently 5 704 indigent households are being subsidised with the following;

1) Free Basic Energy at 70 kwh per month,
2) Nine (9) kilolitres purified water per month,
3) Additional amount of R 265.85 per month for other services.

The total cost of providing the free basic services is R30.144 million as indicated in table A 10 below. The entire equitable share is therefore utilised for the provision of free basic services with nothing left to be spent on other services. This puts an additional load on the other service charges and specifically the property rates.

CREDIT CONTROL & DEBT COLLECTION

An external service provider was appointed to collect the arrear debt older than 90 days. The debt book with certain exceptions was provided to them in middle November 2012 and collection has started. Since then the debt book are being provided to them on a monthly basis. With effect from 1 May 2013 the service level agreement of the service provider was amended with the addition of a key performance indicator to collect an additional amount of R 2 000 000 per month on the 90 days and above arrears. The performance indicator will

also be reviewed on a quarterly basis in terms of the addendum to the service level agreement to ensure that the agreement remains performance driven.

The in-house collection system for current, 30 and 60 days has been improved and training is being provided to use the debt collection module on the financial system to improve efficiency. A further four staff members will be added to the unit in the new financial year and It is expected that the changes made and training will further improve the collection rate.

COMPREHENSIVE COMMUNITY SERVICES

The Community Services Department is continuously rendering services like refuse removal, cemeteries, Libraries, recreational facilities and various other services. It is a huge challenge to improve these services without communities paying for them when due. This limits the ability of the municipality to render these services in a sustainable and improved manner. The Department use various machinery and equipment at great cost to make sure that our local community continuously receives services. Some of this machinery and equipment is very old and expensive to maintain and without sustainable levels of payment for services, service delivery will be compromised.

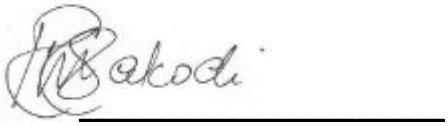
The Community Services Department is, in the new financial year, going to strictly implement the tariff of charges for all services that it renders, especially against sector departments.

FINANCIAL MANAGEMENT AND CLEAN AUDIT

For the Municipality to establish sound financial controls, the management should regularly review internal control measures for effectiveness. Interim/monthly reporting and regular, accurate and complete financial and performance reports that are supported by reliable sources of information are essential in our march to a clean audit by 2014. In exercising its oversight role Council will regularly review and monitor compliance by officials with applicable laws, regulations, internal controls and appropriate accounting procedures. The focus will be on measures that prevent unauthorised and irregular transactions and enable the discharge of statutory responsibilities by management and senior officials.

I THANK YOU

MAYOR



2. BUDGET RESOLUTIONS

(a). That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the municipality for the financial year 2013/14; and indicative allocations for the two projected outer years 2014/15 and 2015/16; and the multi-year capital appropriations be approved.

(b) That the revenue sources that will be utilised to fund both operating and capital budgets be noted and approved.

(c) That the Municipality's portion of the Lekwa-Teemane Development Agency operating budget of R364 800 as reflected in Annexure D be approved for 2013/2014 financial year and two outer years (2014/15 : R352 225), (2015/16 : R217 964).

(d) That in terms of section 24(2)(c)(i) of the Municipal Finance Management Act, 56 of 2003, and sections 74 and 75A of the Local Government Municipal Systems Act, 32 of 2000 as amended, the tariffs for the supply of water, electricity, cleansing services, sanitation services property rates and sundry tariffs as set out Annexure H that were used to prepare the estimates of revenue by source, be approved for accounts rendered with effect from 1 July 2013.

(e) That the Tariff of Charges be approved as set out in Annexure H.

(f) That the fees for irrigation water be suspended for accounts rendered with effect from 1 July 2013 pending the outcome of an investigation of the provision of this service.

(g) That it be noted that Rates, Water, Electricity, Refuse, Sanitations and sundry tariffs will be increased as follows:

i.	Rates	15.0%	
ii.	Refuse	8.5%	
iii.	Sewer	8.0%	
iv.	Water Consumption	10.0%	
v.	Water Basic	5.5%	
vi.	Electricity (on average)	7.0%	
vii.	Irrigation Fees pending an investigation	0.00%	Irrigation fees to be removed
viii.	Vacuum Tanker	8.0%	
ix.	Sundry Tariffs as per the tariff of charges	5.6%	

(h) That in terms of the Free Basic Services & Indigent Support Policy, the monthly household earnings for the approval as an indigent household application be capped at R2 800.

(i) That the level of subsidisation of indigent customers in terms of the Free Basic Services & Indigent Support Policy be determined as follows:

Water - 6 kl per month
Electricity - 50 kwh per month

(j) That the Credit Control and Debt Collection Policy be note and approved.

(k) That the Supply Chain Management Policy be noted and approved.

(l) That the Property Rates Policy be note and approved.

(m) That the Tariff Policy be note and approved.

(n) That the Bad Debt Provision & Write-off Policy be note and approved.

(o) That the Banking and Investment Policy be note and approved.

(p) That the Budget Policy be note and approved.

(q) That the Virement Policy be note and approved.

(r) That the Asset Management Policy be note and approved.

(s) That the Funding and Reserve Policy be note and approved.

(t) That the Borrowing Management Policy be note and approved.

(u) That the Petty Cash Policy be note and approved.

(v) That the Free Basic Services & Indigent Support Policy be note and approved.

(w) That the Creditors, Councillors & Staff Payment Policy be note and approved.

(x) That the Vehicle Management & Maintenance Policy be note and approved.

(y) That the S & T Policy be note and approved.

3. EXECUTIVE SUMMARY – SALIENT FEATURES

Total expenditure budgeted for the 2013/14 financial year increased by R21.115 million (10.14%) to R229.309 million compared to the 2012/13 adjustments budget in the amount of R 208.194 million. One of the main contributing factors to this increase is the increase in staff expenditure that increase by R11.811 million from R37.871 million to R49.682 million. This represents an increase of 31.18%. It should be noted that, included in this increase is an amount of R5.0 million included under Council General for the filling of critical vacant positions such as the SCM Unit, Credit Control & Debt Collection Unit, PMU and Licencing Offices. An annual increase of 6.85% was allowed for and the remainder of the increase in salaries can be attributed to the implementation of the TASK job grading system. Provision for an increase of 6.85% in Councillor allowances was also included in the budget.

Revenue increased from R171.378 million to R179.672 million. This is an increase of R8.294 million or 4.83%.

The budget was restructured into different cost centres from the current financial year in order to allow the calculation of accurate costs associated with each service and to facilitate

the calculation of cost reflective tariffs for each service. The result of this is indicated in the table "2013/14 – LTLM Cost Recovery of Trading & Economic Services" below.

2013/14 – LTLM COST RECOVERY OF TRADING & ECONOMIC SERVICES			
SERVICE	**REVENUE**	**EXPENDITURE**	**(SURPLUS)/DEFICIT**
ELECTRICITY	**(R 50 172 545)**	**47 968 843**	**(R 2 203 701)**
WATER	**(R 38 289 607)**	**41 824 484**	**3 534 877**
REFUSE REMOVAL	**(R 13 754 601)**	**13 796 452**	**41 851**
SEWERAGE & VACUUM TANKER	**(R 22 767 797)**	**16 674 014**	**(R 6 093 782)**

It should be noted that that the Water Services is operated at a deficit of ± R3.5 million and the Municipality will need to introduce measures to properly fund the Water Services. The Refuse Removal Service is operated at a small deficit. This is however not a problem as the Refuse Removal Service is an economic service that needs to be operated at breakeven or a small surplus. Sewerage is operated at a R6.09 million surplus that should be utilised towards increased maintenance and renewal of vehicles once the cash flow problems have been addressed.

The level of cost recovery of tariffs was achieved as indicated in the table "2013/14 – LTLM Cost Recovery of Trading & Economic Services" after introducing the following proposed tariff increases:

2013/14 – 2015/16 Proposed tariff increases are as follows:

	2013/14	**2014/15**	**2015/16**
Rates	15.0%	15.0%	10.0%
Refuse	8.5%	7.5%	6.0%
Sewer	8.0%	7.0%	5.4%
Water Consumption	10.0%	7.5%	7.5%
Water Basic	5.5%	8.0%	7.5%
Electricity	7.0%	7.0%	7.0%
Irrigation Fees	Tariff Scrapped		
Vacuum Tanker	8.0%	8.0%	8.0%

REVENUE

Property Rates Revenue

The rates revenue reported at R9.854 million as at 31 March 2013 incorrectly includes levies for Government properties in respect of the 2010/11 and 2011/12 financial years that caused the adjusted budget, estimated at R10.0 million, to be overstated. This needs to be adjusted and will bring the budget in line with the original budget R8.881 million. The 2013/14 budgeted revenue in the amount of R 11.01 is based on a 15% increase on the 2012/13 original budget as base (R 1.33 million) and also includes revenue from farms in the

amount R1.060 million. This calculation was confirmed after the tabling of the budget by extracting the valuation roll and reconciling the budgeted revenue to the valuation roll.

Electricity Revenue

Based on year to date sales at 30 April 2013 electricity revenue for 2012/13 is estimated at R39.5 million that is substantially less than the adjusted budget of R42.7 million. The 2013/14 revenue was increased by 7% from R39.5 million to R42.07 million. The revenue was then further increased by 6.5% to R 44.335 million based on assumptions of additional revenues to be raised through various initiatives currently under way to enhance revenue and prevention/reduction in distribution losses. The balance of the increase is attributed to the recommended increase of ± 44% in the tariff to bulk customers to whom electricity is currently sold below the unit cost to the Municipality. Further revenue enhancement figured into the budget include the correction of incorrect tariffs that were discovered during an in depth investigation of business and industrial customer accounts, the replacement of defective pre-payment meters and an audit of all large consumer connections currently in progress.

Water Revenue

Based on year to date sales at 30 April 2013 water revenue for 2012/13 is estimated at R25.060 million. Tariffs are to be increased by 10% from this base for the 2013/14 financial year resulting in an increase in the sale of water to R27.399 million. Urgent attention needs to be given to the increasing amount of water losses and replacement of defective meters.

Sewerage and Refuse Removal Revenue and Vacuum Tanker Services Revenue

Revenue from this three revenue streams were lumped together under one vote in previous budgets. Effectively this made accurate cost recovery analysis virtually impossible. For the purpose of the 2013/14 budget the three services were separated into three votes. This enabled the Municipality to assess the actual levels of cost recovery. In terms of the NT circular 66 full cost recovery in sanitation services needs to be achieved by 2014 and for solid waste by 2015. The restructuring of the budget to facilitate proper cost recovery has caused a perceived reduction in revenue from refuse removal services with increased revenue in sewerage. This is however only attributable to structural changes to the budget to accommodate the required cost recovery.

Effectively refuse removal increased from R10.2 million to R 11.01 million whilst sewerage and vacuum tanker services increased from R14.959 million to R16.156 million for the 2013/14 financial year.

Government & Other Grants

Total operating grants for the 2013/14 financial year are summarised in the table below:

EQUITABLE SHARE	**30 359 009**
FINANCE MANAGEMENT GRANT	**1 550 000**
GOVERNMENT GRANTS_(EPWP) (DPLLG)	**1 051 000**
GRANTS LIBRARY	**420 400**
GRANTS MSP (MIG)	**758 000**

GRANTS: DISTRICT SEWER	**4 637 100**
GRANTS: DISTRICT_WATER	**5 000 000**
MUNICIPAL SYSTEMS IMPROV.GRANT (MSIG)	**890 000**
TOTAL OPERATING GRANTS	**44 665 509**

EXPENDITURE

Employee Related Cost

Expenditure on staff increased by 31 .85% from R37.682 million in 2012/13 to R49.682 million in 2013/14. This is due to the following:

- Annual increase of 6.95%
- Budget was prepared on the TASK grading including a provision of 9 months back pay.
- Provision of R5.0 million for new positions:
    - Establishment of SCM unit -5 positions
    - Credit Control & Debt Collection Unit – 4 new positions
    - Establishments of a PMU
    - Vehicle testing Unit in Christina
    - Other critical positions to be prioritised

Electricity Bulk Purchases

Based on actual purchases from July 2012 to March 2013 the anticipated electricity bulk purchase for 2012/13 is estimated at R39.159 million This was increased by 7% in line with the guideline issued by NERSA to R 41.90 million. The budget was then reduced by an amount of R5.17 million to allow for a reduction in the bulk tariff for Christiana. Negotiations with Eskom to implement tariff parity in the bulk tariffs for Christiana and Bloemhof are in an advanced stage. This will result in the anticipated saving that has been factored into the budget.

Water Bulk Purchases

Provision for the bulk purchases of water is problematic due to the following:

- No metering at the extraction point from the Vaal river
- DWA is charging the municipality a tariff for purified water whilst the Municipality is extracting raw water and purifying it.

Accordingly the budget was reduced slightly after taking into account an adjustment of 5.6% for inflation and then reduced to R13.2 million in anticipation of a reduced tariff due to the fact that the account is currently overcharged by DWA.

Debt Impairment

This item was budget for as indicated under the budget assumptions in paragraph 9 below.

Contracted Services

The original 2012/13 budget was substantially overstated in respect of the Traffic Management Services. This anomaly was corrected in the 2012/13 adjustment budget by reducing the budget from R7.2 million to R 1.712 million. The budget increase from R7.769 million in 2012/13 to R10.087 million in 2013/14 due to the addition of the following contracts entered into during the course of the 2012/13 Financial year:

- Contract for security services
- Contract for debt collection and credit control
- Contract for the call centre

Other Expenditure

Other expenditure amounts to R29.903 million out of a total of 229.309 million for the 3013/14 financial year. This amounts to 13.04% of total budget operational expenditure that is slightly above the norm of 10% as prescribed by National Treasury.

Overtime

Overtime as a percentage of total staff expenditure amounts to 2.99% that is well within the norm of 4.5% as prescribed in NT circular 66.

Repairs and Maintenance

In terms of NT circular 66 repairs and maintenance as a percentage of PPE should be at 8%. The percentage for the 2013/14 budget is 1.4% that is well below the prescribed norm. Repairs and maintenance as a percentage of total operating expenditure should be at least 10% in the event that the Municipality received an audit qualification related to the fixed assets register. The Municipality does not meet the criteria as the provision for 2013/14 amounts to 5.36% and increased from 2.79% in the 2012/13 financial year. The main reason for this non-compliance is the current cash flow problem at the Municipality in terms of which expenditure inclusive of repairs and maintenance has been reduced in line with realistically expected revenue streams. This is not sustainable in the medium to long term and the Municipality needs to address this as matter of urgency.

Capital Expenditure

In terms of NT circular 66 at least 40% of the capital expenditure should be towards renewal of existing assets. The Municipality has allocated 50% of the capital expenditure towards renewal of assets. In terms of DORA at least 15% of the MIG allocation should be used for sporting facilities. The Municipality budgeted to spend R3.1 million (21.77%) out of a total of R14.240 million of the MIG allocation towards sporting facilities

Surplus/Deficit

The 2013/14 budget is not fully funded by an amount of R43.096 million that is made up of a deficit of R37.249 million from the operational budget and R5.847 million of assets being funded from "internally generated funds". The Municipality will need to find means to fund this deficit by further reducing expenditure as well as through the collection of outstanding debtors from previous financial years through the debt collection process. The budget also includes an amount of R9.67 million of equitable share that will be paid from DORA to the District Municipality. This will be transferred to the Lekwa-Teemane Municipality. The DORA allocation is however close to ± R18.0 million and further negotiations will be entered into with the District Municipality to increase the allocation to the Municipality.

4. DRAFT BUDGET TABLES AND RELATED CHARTS A1 SCHEDULES – ANNEXURE A

NW396 Lekwa-Teemane - Table A1 Consolidated Budget Summar

Description	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Financial Performance										
Property rates	6 237	7 051	8 644	10 890	10 000	10 000	–	11 001	13 261	14 620
Service charges	57 188	73 341	80 765	104 982	94 190	94 190	–	98 907	105 566	112 497
Investment revenue	49	77	107	65	21	21	–	22	23	24
Transfers recognised - operational	22 452	24 552	30 633	51 880	42 783	42 783	–	44 666	47 177	53 665
Other own revenue	19 491	21 148	19 106	36 476	24 384	24 384	–	25 076	24 791	26 435
Total Revenue (excluding capital transfers and contributions)	105 416	126 170	139 256	204 292	171 378	171 378	–	179 672	190 818	207 241
Employee costs	38 234	39 742	52 403	44 845	37 871	37 803	–	49 682	52 929	56 200
Remuneration of councillors	2 117	–	2 988	4 371	3 470	3 470	–	3 708	3 953	4 206
Depreciation & asset impairment	10 500	12 233	31 488	9 659	9 816	9 816	–	12 389	14 056	12 349
Finance charges	–	–	–	5 468	3 831	3 831	–	3 677	3 586	3 574
Materials and bulk purchases	32 944	47 983	48 322	54 902	64 147	64 147	–	63 203	67 414	71 598
Transfers and grants	–	–	–	–	–	–	–	17 145	18 545	19 801
Other expenditure	73 845	100 745	44 851	78 909	89 058	88 258	–	79 506	81 676	72 026
Total Expenditure	157 639	200 703	180 051	198 155	208 194	207 326	–	229 309	242 157	239 753
Surplus/(Deficit)	(52 223)	(74 533)	(40 795)	6 137	(36 816)	(35 948)	–	(49 637)	(51 339)	(32 513)
Transfers recognised - capital	8 348	9 408	11 271	–	15 537	15 537	–	14 420	13 451	14 036
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(43 875)	(65 124)	(29 525)	6 137	(21 279)	(20 411)	–	(35 217)	(37 888)	(18 477)
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(43 875)	(65 124)	(29 525)	6 137	(21 279)	(20 411)	–	(35 217)	(37 888)	(18 477)
Capital expenditure & funds sources										
Capital expenditure	8 623	23 037	2 985	15 537	–	–	–	20 267	17 257	19 083
Transfers recognised - capital	8 623	23 037	2 985	–	15 537	15 537	–	14 420	13 451	14 036
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	–	–	–	–	5 847	3 806	5 047
Total sources of capital funds	8 623	23 037	2 985	–	15 537	15 537	–	20 267	17 257	19 083
Financial position										
Total current assets	69 040	28 305	64 120	143 850	–	–	–	151 150	158 003	164 436
Total non current assets	44 231	873 231	844 893	859 994	–	–	–	874 414	887 865	901 901
Total current liabilities	112 211	143 340	193 019	123 084	–	–	–	128 629	134 932	141 235
Total non current liabilities	11 411	21 007	24 549	14 110	–	–	–	15 329	16 079	18 766
Community wealth/Equity	(10 351)	737 188	691 445	866 650	–	–	–	881 606	894 857	906 336
Cash flows										
Net cash from (used) operating	18 056	40 012	2 513	92 344	–	–	–	(22 829)	(24 102)	(6 129)
Net cash from (used) investing	(9 332)	(23 118)	(3 035)	–	–	–	–	(20 267)	(17 257)	(19 083)
Net cash from (used) financing	1 835	4 465	1 953	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	10 558	31 918	33 349	92 344	–	–	–	(43 096)	(84 454)	(109 666)
Cash backing/surplus reconciliation										
Cash and investments available	3 137	1 517	48	–	–	–	–	–	–	–
Application of cash and investments	38 213	131 462	161 325	85 140	–	–	–	16 550	12 111	6 274
Balance - surplus (shortfall)	(35 076)	(129 945)	(161 277)	(85 140)	–	–	–	(16 550)	(12 111)	(6 274)
Asset management										
Asset register summary (WDV)	9 126	23 542	3 421	15 537	–	–	20 267	20 267	17 257	19 083
Depreciation & asset impairment	10 500	12 233	31 488	9 659	9 816	9 816	12 389	12 389	14 056	12 349
Renewal of Existing Assets	8 623	23 037	2 985	15 537	–	–	–	9 733	9 235	12 031
Repairs and Maintenance	4 072	4 046	3 393	7 725	5 828	5 828	12 299	12 299	13 118	13 664
Free services										
Cost of Free Basic Services provided	2	1	1	25	–	–	30 144	30 144	31 620	31 620
Revenue cost of free services provided	1 775	1 373	1 373	25 105	–	–	30 144	30 144	31 620	31 620
Households below minimum service level										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	2	2	2	2	–	–	–	–	–	–

NW396 Lekwa-Teemane - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue - Standard										
Governance and administration		**51 527**	**37 961**	**41 188**	**17 918**	**47 321**	**47 321**	**61 802**	**65 549**	**72 617**
Executive and council		28 934	26 323	26 878	15 530	28 933	28 933	42 387	45 208	51 381
Budget and treasury office		17 973	11 444	13 959	1 705	18 060	18 060	18 954	19 857	20 728
Corporate services		4 620	194	351	684	328	328	460	483	507
Community and public safety		**498**	**123**	**14**	**1 492**	**2 320**	**2 320**	**662**	**210**	**720**
Community and social services		496	121	14	1 492	481	481	655	589	712
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		–	–	–	–	1 831	1 831	–	–	–
Housing		0	0	0	–	7	7	8	(379)	8
Health		2	2	–	–	–	–	–	–	–
Economic and environmental services		**8 468**	**4 770**	**3 661**	**17 236**	**5 755**	**5 755**	**6 643**	**6 459**	**6 815**
Planning and development		79	79	–	–	110	110	113	114	115
Road transport		8 389	4 692	3 661	17 236	5 645	5 645	6 530	6 346	6 700
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		**77 788**	**92 128**	**105 655**	**167 645**	**131 520**	**131 520**	**124 985**	**132 051**	**141 125**
Electricity		29 460	40 406	46 244	67 841	56 163	56 163	50 173	53 354	57 199
Water		17 165	20 304	26 332	57 773	33 149	33 149	38 290	41 306	44 291
Waste water management		19 483	16 855	–	–	–	–	20 867	22 865	24 114
Waste management		11 680	14 563	33 079	42 031	42 208	42 208	15 656	14 526	15 521
Other	4	–	–	–	–	–	–	–	–	–
Total Revenue - Standard	2	**138 281**	**134 983**	**150 518**	**204 292**	**186 915**	**186 915**	**194 092**	**204 269**	**221 277**
Expenditure - Standard										
Governance and administration		**30 631**	**49 823**	**74 834**	**55 414**	**59 079**	**58 211**	**72 762**	**79 256**	**73 605**
Executive and council		15 645	32 272	46 847	21 102	30 284	30 217	36 350	37 369	37 133
Budget and treasury office		9 086	10 872	12 602	16 299	15 358	14 558	18 298	22 728	16 073
Corporate services		5 899	6 680	15 385	18 013	13 437	13 437	18 113	19 159	20 399
Community and public safety		**5 242**	**8 743**	**8 611**	**21 149**	**22 232**	**22 232**	**15 007**	**17 576**	**16 622**
Community and social services		3 219	3 258	7 401	19 508	21 936	21 936	13 632	15 443	15 098
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		1 593	4 900	1 191	1 641	245	245	48	51	53
Housing		378	542	–	–	2	2	1 128	1 869	1 244
Health		52	42	20	–	50	49	200	213	227
Economic and environmental services		**15 994**	**12 155**	**12 798**	**26 300**	**17 533**	**17 533**	**21 024**	**22 248**	**23 189**
Planning and development		21	13	–	–	–	–	956	1 006	1 068
Road transport		15 974	12 142	12 798	26 300	17 533	17 533	20 068	21 242	22 120
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		**111 771**	**129 928**	**79 893**	**95 292**	**109 350**	**109 350**	**120 516**	**123 078**	**126 337**
Electricity		42 950	76 388	42 110	54 065	57 623	57 623	47 969	50 705	53 528
Water		33 829	31 541	25 096	28 375	37 039	37 039	42 076	43 058	44 056
Waste water management		20 261	13 478	390	–	234	234	13 473	13 268	12 828
Waste management		14 731	8 520	12 296	12 852	14 453	14 453	16 997	16 047	15 926
Other	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Standard	3	**163 638**	**200 649**	**176 137**	**198 155**	**208 194**	**207 325**	**229 309**	**242 157**	**239 753**
Surplus/(Deficit) for the year		**(25 357)**	**(65 665)**	**(25 619)**	**6 137**	**(21 279)**	**(20 410)**	**(35 217)**	**(37 888)**	**(18 476)**

NW396 Lekwa-Teemane - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue by Vote	1									
Vote 1 - Municipal Manager		28 934	26 323	26 878	15 530	28 933	28 933	42 387	45 208	51 381
Vote 2 - Budget & Treasury		17 973	11 444	13 959	1 705	18 060	18 060	18 954	19 857	20 728
Vote 3 - Corporate Services		4 620	194	351	684	328	328	460	483	507
Vote 4 - Community Services		20 554	19 366	36 723	60 723	49 958	49 958	22 634	20 864	22 720
Vote 5 - Technical Services Summary		67 103	78 242	72 789	125 651	89 636	89 636	109 656	117 857	125 940
Vote 6 - Development Agency		–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	**139 184**	**135 570**	**150 700**	**204 292**	**186 915**	**186 915**	**194 092**	**204 269**	**221 277**
Expenditure by Vote *to be appropriated*	1									
Vote 1 - Municipal Manager		15 645	32 272	46 847	21 102	30 284	30 217	36 350	37 369	37 133
Vote 2 - Budget & Treasury		9 086	10 872	12 602	16 299	15 358	14 558	18 298	22 728	16 073
Vote 3 - Corporate Services		5 899	6 680	15 385	18 013	13 437	13 437	18 113	19 159	20 399
Vote 4 - Community Services		26 094	21 594	25 409	46 564	43 199	43 199	42 494	44 960	44 422
Vote 5 - Technical Services Summary		106 914	129 232	75 948	96 176	105 916	105 916	114 052	117 950	121 727
Vote 6 - Development Agency		–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	2	**163 638**	**200 649**	**176 191**	**198 155**	**208 194**	**207 326**	**229 309**	**242 166**	**239 753**
Surplus/(Deficit) for the year	2	**(24 454)**	**(65 079)**	**(25 491)**	**6 137**	**(21 279)**	**(20 411)**	**(35 217)**	**(37 897)**	**(18 476)**

NW396 Lekwa-Teemane - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source											
Property rates	2	6 237	7 051	8 644	10 890	10 000	10 000	–	11 001	13 261	14 620
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	26 764	33 718	33 995	50 246	42 740	42 740	–	44 335	47 181	50 225
Service charges - water revenue	2	13 897	18 557	23 013	38 736	26 250	26 250	–	27 400	29 474	31 685
Service charges - sanitation revenue	2	9 312	–	23 757	–	2 200	2 200	–	16 156	17 304	18 283
Service charges - refuse revenue	2	7 215	21 066	–	16 000	23 000	23 000	–	11 016	11 607	12 304
Service charges - other											
Rental of facilities and equipment		354	294	324	1 141	654	654		815	842	873
Interest earned - external investments		49	77	107	65	21	21		22	23	24
Interest earned - outstanding debtors		8 804	11 300	13 951	14 243	16 500	16 500		17 342	18 191	19 010
Dividends received		–	1	1	–	–	–		–	–	–
Fines		6 292	61	3 632	17 212	3 632	3 632		3 817	3 491	3 704
Licences and permits		2 091	4	4	500	4	4		4	4	4
Agency services											
Transfers recognised - operational		22 452	24 552	30 633	51 880	42 783	42 783		44 666	47 177	53 665
Other revenue	2	1 946	9 489	1 194	3 379	3 595	3 595	–	3 099	2 263	2 844
Gains on disposal of PPE		4	–	–	–	–	–		–	–	–
Total Revenue (excluding capital transfers and contributions)		**105 416**	**126 170**	**139 256**	**204 292**	**171 378**	**171 378**	**–**	**179 672**	**190 818**	**207 241**
Expenditure By Type											
Employee related costs	2	38 234	39 742	52 403	44 845	37 871	37 803	–	49 682	52 929	56 200
Remuneration of councillors		2 117	–	2 988	4 371	3 470	3 470		3 708	3 953	4 206
Debt impairment	3	49 079	65 376	6 573	28 545	44 242	44 242		39 515	36 881	32 756
Depreciation & asset impairment	2	10 500	12 233	31 488	9 659	9 816	9 816	–	12 389	14 056	12 349
Finance charges					5 468	3 831	3 831		3 677	3 586	3 574
Bulk purchases	2	28 872	47 983	44 929	47 177	58 319	58 319	–	50 994	54 391	58 034
Other materials	8	4 072	–	3 393	7 725	5 828	5 828		12 209	13 023	13 564
Contracted services		4 127	1 772	1 613	11 792	7 770	7 770	–	10 088	10 939	7 899
Transfers and grants		–	–	–	–	–	–	–	17 145	18 545	19 801
Other expenditure	4, 5	20 617	31 199	36 665	38 572	37 047	36 247	–	29 903	33 865	31 371
Loss on disposal of PPE		22	2 398	–	–	–	–		–	–	–
Total Expenditure		**157 639**	**200 703**	**180 051**	**198 155**	**208 194**	**207 326**	**–**	**229 309**	**242 157**	**239 753**
Surplus/(Deficit)		**(52 223)**	**(74 533)**	**(40 795)**	**6 137**	**(36 816)**	**(35 948)**	**–**	**(49 637)**	**(51 339)**	**(32 513)**
Transfers recognised - capital		8 348	9 408	11 271	–	15 537	15 537		14 420	13 451	14 036
Contributions recognised - capital	6	–	–	–	–	–	–	–	–	–	–
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		**(43 875)**	**(65 124)**	**(29 525)**	**6 137**	**(21 279)**	**(20 411)**	**–**	**(35 217)**	**(37 888)**	**(18 477)**
Taxation											
Surplus/(Deficit) after taxation		**(43 875)**	**(65 124)**	**(29 525)**	**6 137**	**(21 279)**	**(20 411)**	**–**	**(35 217)**	**(37 888)**	**(18 477)**
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		**(43 875)**	**(65 124)**	**(29 525)**	**6 137**	**(21 279)**	**(20 411)**	**–**	**(35 217)**	**(37 888)**	**(18 477)**
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		**(43 875)**	**(65 124)**	**(29 525)**	**6 137**	**(21 279)**	**(20 411)**	**–**	**(35 217)**	**(37 888)**	**(18 477)**

NW396 Lekwa-Teemane - Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote 1 - Municipal Manager		–	–	–	–	–	–	–	–	–	–
Vote 2 - Budget & Treasury		–	–	–	–	–	–	–	–	–	–
Vote 3 - Corporate Services		–	–	–	–	–	–	–	–	–	–
Vote 4 - Community Services		–	–	–	–	–	–	–	–	–	–
Vote 5 - Technical Services Summary		8 099	–	–	15 537	–	–	–	–	–	–
Vote 6 - Development Agency		–	–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	**8 099**	–	–	**15 537**	–	–	–	–	–	–
Single-year expenditure *to be appropriated*	2										
Vote 1 - Municipal Manager		–	–	–	–	–	–	–	–	–	–
Vote 2 - Budget & Treasury		–	–	–	–	–	–	–	410	90	90
Vote 3 - Corporate Services		8 623	23 037	2 985	–	–	–	–	331	–	–
Vote 4 - Community Services		–	–	–	–	–	–	–	3 586	416	477
Vote 5 - Technical Services Summary		–	–	–	–	–	–	–	15 940	16 751	18 516
Vote 6 - Development Agency		–	–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		**8 623**	**23 037**	**2 985**	–	–	–	–	**20 267**	**17 257**	**19 083**
Total Capital Expenditure - Vote		**16 722**	**23 037**	**2 985**	**15 537**	–	–	–	**20 267**	**17 257**	**19 083**
Capital Expenditure - Standard											
Governance and administration		**8 623**	**23 037**	**2 985**	–	–	–	–	**741**	**90**	**90**
Executive and council											
Budget and treasury office									410	90	90
Corporate services		8 623	23 037	2 985					331	–	–
Community and public safety		–	–	–	–	–	–	–	**3 586**	**416**	**477**
Community and social services									3 586	416	477
Sport and recreation											
Public safety											
Housing											
Health											
Economic and environmental services		–	–	–	**15 537**	–	–	–	**15 940**	**16 751**	**18 516**
Planning and development											
Road transport					15 537				15 940	16 751	18 516
Environmental protection											
Trading services		–	–	–	–	–	–	–	–	–	–
Electricity											
Water											
Waste water management											
Waste management											
Other											
Total Capital Expenditure - Standard	3	**8 623**	**23 037**	**2 985**	**15 537**	–	–	–	**20 267**	**17 257**	**19 083**
Funded by:											
National Government		8 623	23 037	2 985	–	15 537	15 537		14 420	13 451	14 036
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	**8 623**	**23 037**	**2 985**	–	**15 537**	**15 537**	–	**14 420**	**13 451**	**14 036**
Public contributions & donations	5										
Borrowing	6										
Internally generated funds									5 847	3 806	5 047
Total Capital Funding	7	**8 623**	**23 037**	**2 985**	–	**15 537**	**15 537**	–	**20 267**	**17 257**	**19 083**

NW396 Lekwa-Teemane - Table A6 Consolidated Budgeted Financial Position

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
ASSETS											
Current assets											
Cash		1 859	187	37					–	–	–
Call investment deposits	1	1 277	1 330	1 416	–	–	–	–	–	–	–
Consumer debtors	1	54 130	9 337	40 791	120 000	–	–	–	127 000	133 223	139 446
Other debtors		11 008	16 622	21 059	23 850				24 150	24 780	24 990
Current portion of long-term receivables											
Inventory	2	754	829	818							
Total current assets		**69 040**	**28 305**	**64 120**	**143 850**	–	–	–	**151 150**	**158 003**	**164 436**
Non current assets											
Long-term receivables											
Investments											
Investment property		503									
Investment in Associate											
Property, plant and equipment	3	43 728	872 726	844 457	859 994	–	–	–	874 414	887 865	901 901
Agricultural											
Biological											
Intangible			504	436							
Other non-current assets											
Total non current assets		**44 231**	**873 231**	**844 893**	**859 994**	–	–	–	**874 414**	**887 865**	**901 901**
TOTAL ASSETS		**113 271**	**901 536**	**909 013**	**1 003 844**	–	–	–	**1 025 564**	**1 045 868**	**1 066 337**
LIABILITIES											
Current liabilities											
Bank overdraft	1			1 405							
Borrowing	4	15 056	16 760	21 727	8 084	–	–	–	7 304	7 663	8 020
Consumer deposits		949	948	1 069							
Trade and other payables	4	92 881	121 682	161 406	115 000	–	–	–	121 325	127 270	133 215
Provisions		3 324	3 951	7 413							
Total current liabilities		**112 211**	**143 340**	**193 019**	**123 084**	–	–	–	**128 629**	**134 932**	**141 235**
Non current liabilities											
Borrowing		7 416	10 178	7 164	7 540	–	–	–	8 101	8 498	8 891
Provisions		3 995	10 830	17 385	6 570	–	–	–	7 228	7 581	9 875
Total non current liabilities		**11 411**	**21 007**	**24 549**	**14 110**	–	–	–	**15 329**	**16 079**	**18 766**
TOTAL LIABILITIES		**123 622**	**164 348**	**217 568**	**137 194**	–	–	–	**143 958**	**151 011**	**160 001**
NET ASSETS	5	**(10 351)**	**737 188**	**691 445**	**866 650**	–	–	–	**881 606**	**894 857**	**906 336**
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		(17 254)	718 945	670 798	864 636				879 454	892 563	903 895
Reserves	4	6 903	18 243	20 647	2 014	–	–	–	2 152	2 294	2 441
Minorities' interests											
TOTAL COMMUNITY WEALTH/EQUITY	5	**(10 351)**	**737 188**	**691 445**	**866 650**	–	–	–	**881 606**	**894 857**	**906 336**

NW396 Lekwa-Teemane - Table A7 Consolidated Budgeted Cash Flows

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		82 602	48 555	49 371	31 624				95 491	106 760	120 818
Government - operating	1	30 800	33 960	41 904	51 880				44 666	47 177	53 665
Government - capital	1	8 623	23 037	2 985					14 420	13 451	14 036
Interest		49	77	107	14 308						
Dividends											
Payments											
Suppliers and employees		(100 716)	(49 109)	(89 051)					(173 729)	(187 904)	(191 074)
Finance charges		(3 301)	(16 509)	(2 805)	(5 468)				(3 677)	(3 586)	(3 574)
Transfers and Grants	1										
NET CASH FROM/(USED) OPERATING ACTIVITIES		**18 056**	**40 012**	**2 513**	**92 344**	–	–	–	**(22 829)**	**(24 102)**	**(6 129)**
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		183									
Decrease (Increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
Payments											
Capital assets		(9 516)	(23 118)	(3 035)					(20 267)	(17 257)	(19 083)
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(9 332)**	**(23 118)**	**(3 035)**	–	–	–	–	**(20 267)**	**(17 257)**	**(19 083)**
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans											
Borrowing long term/refinancing											
Increase (decrease) in consumer deposits											
Payments											
Repayment of borrowing		1 835	4 465	1 953							
NET CASH FROM/(USED) FINANCING ACTIVITIES		**1 835**	**4 465**	**1 953**	–	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD		**10 558**	**21 359**	**1 431**	**92 344**	–	–	–	**(43 096)**	**(41 359)**	**(25 212)**
Cash/cash equivalents at the year begin:	2		**10 558**	**31 918**				–	–	**(43 096)**	**(84 454)**
Cash/cash equivalents at the year end:	2	**10 558**	**31 918**	**33 349**	**92 344**	–	–	–	**(43 096)**	**(84 454)**	**(109 666)**

NW396 Lekwa-Teemane - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Cash and investments available											
Cash/cash equivalents at the year end	1	10 558	31 918	33 349	92 344	–	–	–	(43 096)	(84 454)	(109 666)
Other current investments > 90 days		(7 421)	(30 401)	(33 300)	(92 344)	–	–	–	43 096	84 454	109 666
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		3 137	1 517	48	–	–	–	–	–	–	–
Application of cash and investments											
Unspent conditional transfers		–	–	–	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2										
Other working capital requirements	3	27 986	109 269	133 266	85 140	–	–	–	14 398	9 817	3 833
Other provisions		3 324	3 951	7 413					2 152	2 294	2 441
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	6 903	18 243	20 647							
Total Application of cash and investments:		38 213	131 462	161 325	85 140	–	–	–	16 550	12 111	6 274
Surplus(shortfall)		(35 076)	(129 945)	(161 277)	(85 140)	–	–	–	(16 550)	(12 111)	(6 274)

NW396 Lekwa-Teemane - Table A9 Consolidated Asset Management

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
CAPITAL EXPENDITURE										
Total New Assets	1	**8 623**	**23 037**	**2 985**	**15 537**	–	–	**10 533**	**8 021**	**7 053**
Infrastructure - Road transport		–	–	–	15 537	–	–	4 992	4 914	5 086
Infrastructure - Electricity		–	–	–	–	–	–	2 000	832	–
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		8 623	23 037	2 985	–	–	–	–	–	–
Infrastructure		*8 623*	*23 037*	*2 985*	*15 537*	–	–	*6 992*	*5 746*	*5 086*
Community		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	–	–	–	–	–	–	3 541	2 276	1 967
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
Total Renewal of Existing Assets	2	**8 623**	**23 037**	**2 985**	**15 537**	–	–	**9 733**	**9 235**	**12 031**
Infrastructure - Road transport		–	–	–	15 537	–	–	3 328	3 277	3 391
Infrastructure - Electricity		–	–	–	–	–	–	1 000	4 428	2 960
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		8 623	23 037	2 985	–	–	–	–	–	–
Infrastructure		*8 623*	*23 037*	*2 985*	*15 537*	–	–	*4 328*	*7 705*	*6 351*
Community		–	–	–	–	–	–	3 500	–	2 800
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	–	–	–	–	–	–	1 905	1 530	2 880
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
Total Capital Expenditure	4									
Infrastructure - Road transport		–	–	–	31 074	–	–	8 320	8 191	8 476
Infrastructure - Electricity		–	–	–	–	–	–	3 000	5 260	2 960
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		17 246	46 075	5 971	–	–	–	–	–	–
Infrastructure		*17 246*	*46 075*	*5 971*	*31 074*	–	–	*11 320*	*13 451*	*11 436*
Community		–	–	–	–	–	–	3 500	–	2 800
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		–	–	–	–	–	–	5 446	3 806	4 847
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	2	**17 246**	**46 075**	**5 971**	**31 074**	–	–	**20 266**	**17 257**	**19 083**
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport					15 537			15 940	16 751	18 516
Infrastructure - Electricity										
Infrastructure - Water										
Infrastructure - Sanitation										
Infrastructure - Other		8 623	23 037	2 985				741	90	90
Infrastructure		*8 623*	*23 037*	*2 985*	*15 537*	–	–	*16 681*	*16 841*	*18 606*
Community								3 586	416	477
Heritage assets										
Investment properties		503	–	–	–	–	–	–	–	–
Other assets										
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	504	436	–	–	–	–	–	–
TOTAL ASSET REGISTER SUMMARY - PPE (WDV	5	**9 126**	**23 542**	**3 421**	**15 537**	–	–	**20 267**	**17 257**	**19 083**
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		10 500	12 233	31 488	9 659	9 816	9 816	12 389	14 056	12 349
Repairs and Maintenance by Asset Class	3	4 072	4 048	3 393	7 725	5 828	5 828	12 299	13 118	13 664
Infrastructure - Road transport		516	303	561	1 112	925	925	1 115	1 172	1 229
Infrastructure - Electricity		1 074	615	905	953	1 606	1 606	1 326	1 400	1 476
Infrastructure - Water		164	474	502	1 059	1 070	1 070	1 122	1 182	1 246
Infrastructure - Sanitation		54	2	125	635	506	506	55	58	61
Infrastructure - Other		785	417	33	163	15	15	1 432	1 506	1 579
Infrastructure		*2 593*	*1 811*	*2 125*	*3 923*	*4 121*	*4 121*	*5 050*	*5 317*	*5 591*
Community		105	58	96	206	86	86	721	768	798
Heritage assets		126	484	340	953	680	680	1 005	1 180	1 116
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	1 249	1 694	832	2 643	941	941	5 522	5 853	6 159
TOTAL EXPENDITURE OTHER ITEMS		**14 572**	**16 279**	**34 881**	**17 384**	**15 645**	**15 645**	**24 688**	**27 174**	**26 013**
Renewal of Existing Assets as % of total capex		*50.0%*	*50.0%*	*50.0%*	*50.0%*	*0.0%*	*0.0%*	*48.0%*	*53.5%*	*63.0%*
Renewal of Existing Assets as % of deprecn"		*82.1%*	*188.3%*	*9.5%*	*160.8%*	*0.0%*	*0.0%*	*78.6%*	*65.7%*	*97.4%*
R&M as a % of PPE		*9.3%*	*0.5%*	*0.4%*	*0.9%*	*0.0%*	*0.0%*	*1.4%*	*1.5%*	*1.5%*
Renewal and R&M as a % of PPE		*139.0%*	*115.0%*	*186.0%*	*150.0%*	*0.0%*	*0.0%*	*109.0%*	*130.0%*	*135.0%*

NW396 Lekwa-Teemane - Table A10 Consolidated basic service delivery measurement

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Household service targets	1									
Water:										
Piped water inside dwelling		16 000	16 000	16 000	18 000			14 930	14 930	14 930
Piped water inside yard (but not in dwelling)		5 000								
Using public tap (at least min.service level)	2	1 000								
Other water supply (at least min.service level)	4	1 000								
Minimum Service Level and Above sub-total		23 000	16 000	16 000	18 000	–	–	14 930	14 930	14 930
Using public tap (< min.service level)	3									
Other water supply (< min.service level)	4									
No water supply										
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	**23 000**	**16 000**	**16 000**	**18 000**	–	–	**14 930**	**14 930**	**14 930**
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		12 000	16 000	16 000	18 000			14 282	14 282	14 282
Flush toilet (with septic tank)										
Chemical toilet										
Pit toilet (ventilated)										
Other toilet provisions (> min.service level)										
Minimum Service Level and Above sub-total		12 000	16 000	16 000	18 000	–	–	14 282	14 282	14 282
Bucket toilet										
Other toilet provisions (< min.service level)										
No toilet provisions										
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	**12 000**	**16 000**	**16 000**	**18 000**	–	–	**14 282**	**14 282**	**14 282**
Energy:										
Electricity (at least min.service level)		12 000	16 000	16 000	18 000			14 930	14 930	14 930
Electricity - prepaid (min.service level)										
Minimum Service Level and Above sub-total		12 000	16 000	16 000	18 000	–	–	14 930	14 930	14 930
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
Total number of households	5	**12 000**	**16 000**	**16 000**	**18 000**	–	–	**14 930**	**14 930**	**14 930**
Refuse:										
Removed at least once a week		12 000	16 000	16 000	18 000			14 930	14 930	14 930
Minimum Service Level and Above sub-total		12 000	16 000	16 000	18 000	–	–	14 930	14 930	14 930
Removed less frequently than once a week										
Using communal refuse dump										
Using own refuse dump		2 000	2 000	2 000	2 000					
Other rubbish disposal										
No rubbish disposal										
Below Minimum Service Level sub-total		2 000	2 000	2 000	2 000	–	–	–	–	–
Total number of households	5	**14 000**	**18 000**	**18 000**	**20 000**	–	–	**14 930**	**14 930**	**14 930**
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)								5 752		
Sanitation (free minimum level service)								5 752		
Electricity/other energy (50kwh per household per month)								2 284		
Refuse (removed at least once a week)								5 752		
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)		429	283	283	4 486			5 510	5 780	5 780
Sanitation (free sanitation service)		533	515	515	8 923			9 131	9 578	9 578
Electricity/other energy (50kwh per household per mo		435	210	210	5 364			7 724	8 102	8 102
Refuse (removed once a week)		378	365	365	6 332			7 779	8 160	8 160
Total cost of FBS provided (minimum social packa		**2**	**1**	**1**	**25**	–	–	**30 144**	**31 620**	**31 620**
Highest level of free service provided										
Property rates (R value threshold)		–	50 000	50 000	50 000			50 000	50 000	50 000
Water (kilolitres per household per month)		7	6	6	6			9	9	9
Sanitation (kilolitres per household per month)		6	6	6	6			109	114	114
Sanitation (Rand per household per month)		15	16	16	16			118	124	124
Electricity (kwh per household per month)		50	50	50	70			95	96	96
Refuse (average litres per week)		60	85	85	95					
Revenue cost of free services provided (R'000)	9									
Property rates (R15 000 threshold rebate)										
Property rates (other exemptions, reductions and rebates)										
Water		429	283	283	4 486			5 510	5 780	5 780
Sanitation		533	515	515	8 923			9 131	9 578	9 578
Electricity/other energy		435	210	210	5 364			7 724	8 102	8 102
Refuse		378	365	365	6 332			7 779	8 160	8 160
Municipal Housing - rental rebates										
Housing - top structure subsidies	6									
Other										
Total revenue cost of free services provided (total social package)		**1 775**	**1 373**	**1 373**	**25 105**	–	–	**30 144**	**31 620**	**31 620**

PART 2 – SUPPORTING DOCUMENTATION

5. OVERVIEW OF BUDGET PROCESS

Political Oversight of Budget Process

The concept of political oversight over the budget process is an important one and it is the key to ensuring that strategy informs the budget.

The political oversight role of the Mayor is contained in Section 53 (1)(a) and (b) of the Municipal Finance Management Act (MFMA). It requires that the Mayor must provide political guidance over the budget process and the priorities that guide the preparation of the budget. It further requires that the Mayor co-ordinate the revision of the IDP and the preparation of the annual budget and to determine how the IDP is to be taken into account for the purpose of the budget.

The demands on the Municipality to address service delivery backlogs and to improve service delivery to all of its citizens, within current financial resources, are challenging. Political oversight of the budget process is therefore essential to ensure that the priorities of the municipality are addressed through budget allocations.

Schedule of Key Deadlines Relating of Budget Process

One of the objectives of the budget timetable is to ensure the development of IDP and the budget and also to ensure that a funded budget is tabled for consideration and approval. The timetable schedule for the compilation of the 2013/14 budget cycle was approved by Council during August 2012 in compliance with the MFMA.

Process for Consultations with Stakeholder Groups and Outcomes [MFMA 21(1)(b)]

Section 22 of the MFMA requires that after tabling of the annual budget in Council, the municipality must make public the draft budget and also invite the local communities to submit representations thereon. Accordingly the tabling of the draft budget in the Council on 27 March 2013 was followed by followed by the following activities:

- Draft budget was submitted to Provincial and National Treasuries as well as Department of Provincial and Local Government
- Draft budget was published on the website
- Public meetings were held in various wards during April and May 2013
- The Draft budgeted document was generally distributed to libraries and other municipal offices to allow the wide invitation of comments ad representations to the draft budget.

6. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

This Integrated Development Plan (IDP) is prepared in compliance with the requirements of Chapter 5, particularly Section 25 of Local Government Municipal Systems Act (32 of 2000), which obliges a municipal council to adopt a single, all inclusive and strategic plan for the development of the municipality, within a prescribed period after the start of its elected term. It outlines a development agenda for the municipality for the next five years. The Lekwa-Teemane Municipality has undertaken its IDP process after the inception of new Council after 18 May 2011 local government elections.

Council's Integrated Development Plan (IDP) to inform the 2013/14 financial year's budget is also tabled to Council today. The budget is aligned to the revised IDP. Due to the current financial situation of Lekwa-Teemane Municipality we can only fund capital projects through the Municipal Infrastructure Grant which amounts to R 14.420 million. A few smaller projects will be funded from internally generated funds. Detail of the capital projects are contained in the table A5 2013/14 (Capital Budget) above.

7. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance. At any given time within government, information from multiple years is being considered; Plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system (framework) which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

8. OVERVIEW OF BUDGET-RELATED POLICIES

It is a legislative requirement that municipal budget for the following fiscal year, together with finance related policies reviewed are tabled and adopted by council.

The following financial policies have been changed:

1. The Supply Chain Management Policy

The policy ensures that all employees of Lekwa-Teemane Local Municipality and its municipal entity have proper guidelines to follow when involved in procurement processes.
The changes have been made in terms of the Government Gazette No. 34350 and No. 27636

2. Property Rates Policy

This policy guides the annual setting (or revision) of property rates. Details pertaining to the applications of the various property rates are published in the Provincial Gazette and the municipality's schedule of tariffs, which must be read in conjunction with this policy.

In imposing the rate in the rand for each annual operating budget component, the municipality shall grant exemptions, rebates and reductions to the respective categories of properties and owners as allowed for in this policy.

The policy also guides the valuation of properties within the jurisdiction of the Municipality.
Amendments to the following section of the policy were made and are submitted for approval by the Council:
"SCHEDULE A -SCHEDULE OF EXCEMPTIONS AND REBATES"
Following a meeting with the farming community held on 21 May 2013 a submission containing proposals with regard to schedule A has been received and are contained in Annexure E2 to the document.

3. Asset Management Policy

The purpose of the policy should promote efficient and effective monitoring and control of assets according to the MFMA.
The changes have been made in term of Generally Recognised Accounting Practice (GRAP)

4. Banking and Investment Policy

It is important that the municipality manage its banking arrangements and investment and conduct its cash management policy
The changes have been made in compliance with the terms of the MFMA and regulations promulgated under the Act.

5. Free Basic and Indigent Support Policy

The key purpose of an indigent subsidy policy is to ensure that households with no or lower income are not denied a reasonable service, and on the contrary the Municipality is not financially burdened with non-payment of services. Provided that grants are received and

funds are available, the indigent subsidy policy should remain intact. To achieve the purpose it is important to set a fair threshold level, and then to provide a fair subsidy of tariffs.
The consumer, in order to qualify as an indigent, needs to complete the necessary documentation as required and agree to regulations and restrictions stipulated by Lekwa-Teemane Municipality.

Recommended changes to the policy are to reduce the level of subsidisation to the national norms of subsidisation:

- Water subsidisation of 6 kl of water per month.
- Electricity subsidisation of 50 kwh per month.

New financial policies:

6. Bad Debt Provision & Write-off Policy

The key purpose of this policy is to provide criteria for the provision of working capital as a result of non-payment and for the write-off of debt under certain circumstances.
Council acknowledges that in order to deliver services in a sustainable manner, that revenue collection be managed in terms of Councils Debt Collection and Credit Control Policy having due regard of its limited financial resources and the need to manage cash flows. Council therefore accepts its duty to prepare financial statements that truly reflects the financial position of the Municipality.

7. Virement Policy

The policy is to provide a framework whereby transfers between line items within votes of the operating budget may be performed with the approval of certain officials.

8. Funding and Reserve Policy

The policy sets out to ensure that the annual budget of Lekwa-Teemane Local Municipality is fully funded and that all funds and reserves are maintained at the required level to avoid future year unfunded liabilities. The policy aims to give effect to the requirements and stipulations of the Municipal Finance Management Act and Municipal Budget and Reporting Framework and long term financially sustainability of the municipality with the acceptable levels of service delivery to the community.

9. Petty Cash Policy

The policy is established to ensure that the management of expenditure of a municipality is effective and controlled manner.

10. Borrowing Management Policy

The purpose of the Borrowing Management framework policy is to determine the objectives, policies, statutory requirements and guidelines for the borrowing of funds.

Long- and short-term debts are necessary to fund the prime mechanisms by which a Council can fulfil its constitutional mandates for:

- Delivery of sustainable services,
- Social and economic development,
- Promoting safe and health environments and,
- Providing the basic needs to the community.

The borrowing policy deals with the municipal rules required to ensure the enforcement of appropriate stewardship of Council's borrowings. The compilation of borrowing registers as prescribed by the Accounting Standards Board to ensure the appropriate financial treatment for borrowings.

Existing financial policies:

11. Credit Control and Debt Collection Policy

The purpose of this policy is to use innovative, cost effective, efficient and appropriate methods to manage credit control and debt collection of the municipality

12. Tariff Policy

This policy cover, among other things, the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.

13. Budget Policy

The main importance of budget policy is to address allocation of resources, and how to efficiency use resources and attaining economic stability and growth, and redistribution of income.

14. Creditors, Councillor & Staff Payment Policy

The objective of this policy is to have a standard payment system in place with clear objectives regarding payment policy and dates which objectives are measurable in terms of customer service. This applies to the Creditors, Councillors, Officials and all those that receive payment from the Lekwa-Teemane Local Municipality Council.

15. Vehicle Management & Maintenance Policy

The aim of this policy is to exercise control over all pool vehicles. Allocated vehicles are applicable to all employees that due to the nature of their work are required to travel an average of more than 1 000 km per month on official duties. The allocation of an official vehicle is the responsibility of the Departmental Head or duly authorised nominee.

Other Council vehicles allocated to the various departments will be allocated to employees as and when the employee is required to use a vehicle.

16. S & T Policy

The purpose of this policy is to lay down general rules for the payment of subsistence and traveling allowances or costs for the attendance of approved events outside the municipal area of Lekwa-Teemane Local Municipality.

9. OVERVIEW OF BUDGET ASSUMPTIONS

Inflation Forecast

Inflation is forecast to remain within the target range of 5.6% to 5.9%, edging towards the upper end of the range in 2014 as the economy strengthens. This was taken into account when the budget was compiled. Municipalities must take into account the multi-year Salary and Wage Collective Agreement for the period 1 July 2012 to 30 June 2015. The agreement provides for a wage increase based on the average CPI for the period 1 February 2012 until 31 January 2013, plus 1.25 per cent for the 2013/14 financial year. In this regard municipalities are advised that average CPI for this period is 5.6 per cent.
Municipalities were advised by National Treasury to provide for increases related to salaries and wages for the 2013/14 budget year of 6.85 per cent (5.6 per cent plus 1.25 per cent). The agreement also provides for a 1 per cent increase for the 2014/15 financial year. In this regard, municipalities may provide for a 6.4 per cent (5.4 per cent plus 1 per cent) increase for the 2014/15 budget year. The staff budget was prepared based on the TASK grading system on the staff in employment as at 28 February 2013. An additional amount of R5.0 million was included to fill critical vacant positions in the 2013/14 financial year.

Payment factor

The following assumptions were incorporated into the draft budget:

RATE OF NON-PAYMENT	RATE 2011/12	RATE CURRENT FY - Jan 2013	ASSUMED RATE 2012/13	ASSUMED RATE 2013/14	ASSUMED RATE 2014/15	ASSUMED RATE 2015/16
ELECTRICITY	9.63%	32.8900%	18.0000%	9.50%	8.75%	7.80%
WATER	59.04%	72.8800%	65.0000%	55.00%	50.00%	45.00%
ASS RATES	27.61%	38.1200%	30.0000%	23.00%	20.00%	18.80%
REFUSE	82.47%	84.8100%	82.4700%	72.00%	65.00%	58.00%
SEWER	80.08%	83.4700%	80.0800%	70.00%	63.00%	56.00%
INTEREST	95.46%	96.8300%	95.4600%	90.00%	85.00%	75.00%
CONSOLIDATED BILLING VS RECEIPTS	47.90%	39.08%	45.00%	55.00%	65.00%	70.00%

10. OVERVIEW OF BUDGET FUNDING

The main sources of revenue/funding are indicated in the table below:

OPERATIONAL REVENUE			
OPERATIONAL - REVENUE BY SOURCE	**2013/14**	**2014/15**	**2015/16**
FINES	**3 816 830**	**3 491 093**	**3 703 600**
GRANTS & SUBSIDIES RECEIVED - OPERATING	**44 665 509**	**47 177 196**	**53 665 048**
INTEREST EARNED - EXTERNAL INVESTMENTS	**22 080**	**23 170**	**23 800**
INTEREST EARNED - OUTSTANDING DEBTORS	**17 341 500**	**18 191 240**	**19 009 846**
LICENSES & PERMITS	**3 790**	**3 980**	**4 150**
OTHER REVENUE	**3 098 651**	**2 262 824**	**2 844 476**
PROPERTY RATES	**11 001 325**	**13 261 029**	**14 619 543**
RENT OF FACILITIES AND EQUIPMENT	**814 970**	**842 232**	**872 978**
SERVICE CHARGES	**98 907 080**	**105 565 703**	**112 497 121**
TOTAL OPERATIONAL REVENUE	**179 671 735**	**190 818 467**	**207 240 562**
CAPITAL- SOURCE OF FUNDING	**2013/14**	**2014/15**	**2015/16**
NATIONAL GOVERNMENT - MIG	**14 420 000**	**13 451 000**	**14 036 000**
INTERNALLY GENERATED FUNDS	**5 847 000**	**3 806 000**	**5 047 000**
TOTAL CAPITAL FUNDING	***20 267 000***	***17 257 000***	***19 083 000***

11. EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

Grants and subsidies from National and Provincial governments, as reported in the 2013 Division of Revenue Act and reflected in SA 19, have been included the 2013/14 budget and each allocation will utilised for the purpose as described below.

DIVISION OF REVENUE BILL 36189 DATED 22 FEB 2013				
PAGE	TYPE OF GRANT	**2013/14**	**2014/15**	**2015/16**
213	Finance Management Grant	1 550	1 600	1 650
213	MSIPG	890	934	967
213	EPWP	1 000	0	0
285	EPWP (FTE PERFORMANCE TARGER)	69/1000	0	0
222	***SUB TOTAL: Specific purpose***	***3 440***	***2 534***	***2 617***
232	***MIG***	***15 179***	***14 159***	***14 775***
241	***INEP***	***0***	***2 000***	***5 000***
	SUB TOTAL INFRASTRUCTURE	***15 179***	***16 159***	***19 775***
251	**INEP ESKOM**	18 570	11 000	35 000
36/259	***EQUITABLE SHARE***	***30 312***	***32 859***	***38 172***
269	Equitable Share Formula	28 115	30 304	35 519
269	Special Contributions towards Councillors Remuneration and ward	2 197	2 555	2 653

	committees			
269	Equitable share to DM - WATER	9 752	9 624	11 437
269	Equitable share to DM - SANITATION	8 126	7 935	9 318
276	MIG allocation to DM (WATER AND SANITATION)	27 792	30 583	32 884

Grants and subsidies from National Governments, as reported in the 2013 Division of Revenue Act and reflected in table SA 19, have been included in the 2013/14 budget and each allocation will utilised for the purpose as described below.

National Grant Allocations

Equitable Share

The equitable share is an unconditional grant and as such can be regarded as general revenue, however, it is a matter of co-operative governance that municipalities should prioritise its expenditure budget towards poor households and national priorities like free basic services.

Municipal Infrastructural Grant (MIG)

The Municipal Infrastructural Grant (MIG) is entering its ninth year of implementation in the 2013/14 financial year. It resulted from the consolidation of various capital grants for municipal infrastructure (CMIP, Water Services Projects, CBPWP, LEDF, BSRP and the Urban Transport Fund) into a new funding arrangement.

The Municipal Infrastructural Grant is a conditional grant which gives effect to national objectives to:

- Expand the delivery of basic services to all households, including the delivery of free basic services to poor households and other poverty alleviating objectives.
- Stimulate local economic development and job creation over the medium term.

The MIG funding will be utilised for the paving of internal roads, sporting facilities and high mast projects in areas falling within Lekwa-Teemane Municipality.

Finance Management Grant

The Finance Management Grant is a capacity building grant provided by National Treasury to assist municipalities in building management planning, technical and financial management skills and capacity for effective service delivery.

It will be utilised for the upgrading of skills and capacity of the Finance officials for workshops and training programmes, funding financial programmes with a view to capacitate financial systems, as well as for the remuneration of the interns currently employed by the municipality and cover costs of their training and its facilities. There are currently seven interns employed.

Municipal Systems Improvement Grant

This grant is provided by the Department of Cooperative Governance and Traditional Affairs to assist municipalities to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Systems Act, 2000 and other related legislation.

The grant may be apportioned for, depending on the submitted and approved activity plan, the engagement of ward committees, IDP review processes, implementation of Municipal Property Rates Act and GRAP conversion requirements

National Electrification Programme (Eskom)

The National Electrification Programme grant is transferred by the Department of Minerals and Energy directly to Eskom to implement integrated electrification programmes by addressing electrification backlogs of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.

Hence, the grant will be transferred to Eskom to address the electrification infrastructure backlog within the jurisdiction of Lekwa-Teemane Municipality.

Expanded Public Works Programme Integrated Grant for Municipalities

The EPWP grant is transferred by Department of Public Works to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:

- road maintenance and the maintenance of buildings
- low traffic volume roads and rural roads
- basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure)
- other economic and social infrastructure
- tourism and cultural industries
- waste management
- parks and beautification
- sustainable land-based livelihoods

12. ALLOCATIONS AND GRANTS MADE BY LEKWA-TEEMANE MUNICIPALITY

None. Please refer to SA 21 of Schedule A.

13. COUNCILLOR AND BOARD MEMBER ALLOWANCES AND EMPLOYEE BENEFITS

REMUNERATION OF COUNCILLORS	
DESIGNATION	TOTAL COST TO COUNCIL
MAYOR	R 692 268
SPEAKER	R 301 272
MMC	R 283 512
CHAIR S79 COMMITTEE	R 265 750
COUNCILLOR	R 210 851
BOARD MEMBER LT DEVELOPMENT AGENCY	
DESIGNATION	PER MEETING
CHAIRMAN	R 4 500
OTHER	R 3 500
BOARD COMMITTEES	R 2 300
BC'S CHAIRS	R 2 500
AUDIT CHAIR	R 3 000
BASE FEE	R 3 000
ACCOUNTING OFFICER & SECT 57 MANAGERS	
DESIGNATION	TOTAL COST TO COUNCIL
MUNICIPAL MANAGER	R 1 024 280
CFO	R 960 480
DIRECTOR CORPORATE SERVICES	R 839 420
DIRECTOR COMMUNITY SERVICES	R 862 920
DIRECTOR INFRASTRUCTURE	R 961 650

14. MONTHLY TARGETS FOR REVENUE, EXPENDITURE & CASH FLOW

NW396 Lekwa-Teemane - Supporting Table SA25 Consolidated budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Revenue By Source																
Property rates		935	902	869	968	946	792	869	847	1 056	869	836	1 111	11 001	13 261	14 620
Property rates - penalties & collection charges													–	–	–	–
Service charges - electricity revenue		4 877	4 655	3 680	3 680	3 680	2 704	1 818	3 325	1 325	3 622	3 879	5 090	44 335	47 181	50 225
Service charges - water revenue		1 176	1 693	2 257	2 257	2 257	3 668	3 668	2 821	1 257	2 257	2 257	831	27 400	29 474	31 685
Service charges - sanitation revenue		543	499	505	518	499	398	505	569	550	505	550	10 514	16 156	17 304	18 283
Service charges - refuse revenue		895	1 021	811	853	895	811	769	842	832	937	906	1 444	11 016	11 607	12 304
Service charges - other													–	–	–	–
Rental of facilities and equipment		68	68	68	68	68	68	68	68	68	68	68	68	815	842	873
Interest earned - external investments				22									0	22	23	24
Interest earned - outstanding debtors		1 249	1 249	1 249	1 249	1 249	1 249	1 249	1 249	1 249	1 249	1 249	3 603	17 342	18 191	19 010
Dividends received													–	–	–	–
Fines		324	370	294	309	324	294	279	305	302	340	328	347	3 817	3 491	3 704
Licences and permits		0	0	0	0	0	0	0	0	0	0	0	0	4	4	4
Agency services													–	–	–	–
Transfers recognised - operational		19 287	4 364			13 226			7 789				0	44 666	47 177	53 665
Other revenue		260	267	276	285	298	242	242	251	232	248	267	232	3 099	2 263	2 844
Gains on disposal of PPE													–	–	–	–
Total Revenue (excluding capital transfers and cont		29 616	15 088	10 031	10 187	23 442	10 226	9 466	18 067	1 871	10 096	10 348	23 241	179 672	190 818	207 241
Expenditure By Type																
Employee related costs		3 164	3 258	3 494	3 589	3 353	3 636	3 919	3 919	1 919	3 919	3 919	9 591	49 682	52 929	56 200
Remuneration of councillors		289	289	289	289	289	289	330	330	330	330	330	322	3 708	3 953	4 206
Debt impairment		3 081	3 289	3 331	3 414	3 456	3 705	3 206	3 247	1 414	3 705	3 789	1 879	39 515	36 881	32 756
Depreciation & asset impairment		917	979	991	1 016	1 028	1 103	954	966	1 016	1 103	1 127	1 189	12 389	14 056	12 349
Finance charges		279	309	305	305	305	342	305	331	294	305	276	319	3 677	3 586	3 574
Bulk purchases		4 075	4 504	4 450	4 450	4 450	4 986	4 450	4 825	4 289	4 450	4 021	2 044	50 994	54 391	58 034
Other materials		922	984	1 033	1 009	1 021	996	1 009	972	1 045	1 070	1 095	1 054	12 209	13 023	13 564
Contracted services		757	807	847	827	837	817	827	797	857	878	898	938	10 088	10 939	7 899
Transfers and grants													17 145	17 145	18 545	19 801
Other expenditure		3 355	3 841	3 841	3 696	3 696	4 182	4 036	4 717	1 626	6 127	3 841	(14 055)	29 903	33 855	31 371
Loss on disposal of PPE													–	–	–	–
Total Expenditure		16 839	18 260	18 583	18 594	18 435	20 057	19 036	20 105	11 791	21 887	19 296	20 426	229 309	242 157	239 753
Surplus/(Deficit)		12 776	(3 172)	(8 551)	(8 407)	5 007	(9 831)	(9 570)	(2 037)	(1 920)	(11 791)	(8 956)	2 815	(49 637)	(51 339)	(32 513)
Transfers recognised - capital													14 420	14 420	13 451	14 036
Contributions recognised - capital													–	–	–	–
Contributed assets													–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		12 776	(3 172)	(8 551)	(8 407)	5 007	(9 831)	(9 570)	(2 037)	(1 920)	(11 791)	(8 956)	17 235	(35 217)	(37 888)	(18 477)
Taxation													–	–	–	–
Attributable to minorities													–	–	–	–
Share of surplus/ (deficit) of associate													–	–	–	–
Surplus/(Deficit)	1	12 776	(3 172)	(8 551)	(8 407)	5 007	(9 831)	(9 570)	(2 037)	(1 920)	(11 791)	(8 956)	17 235	(35 217)	(37 888)	(18 477)

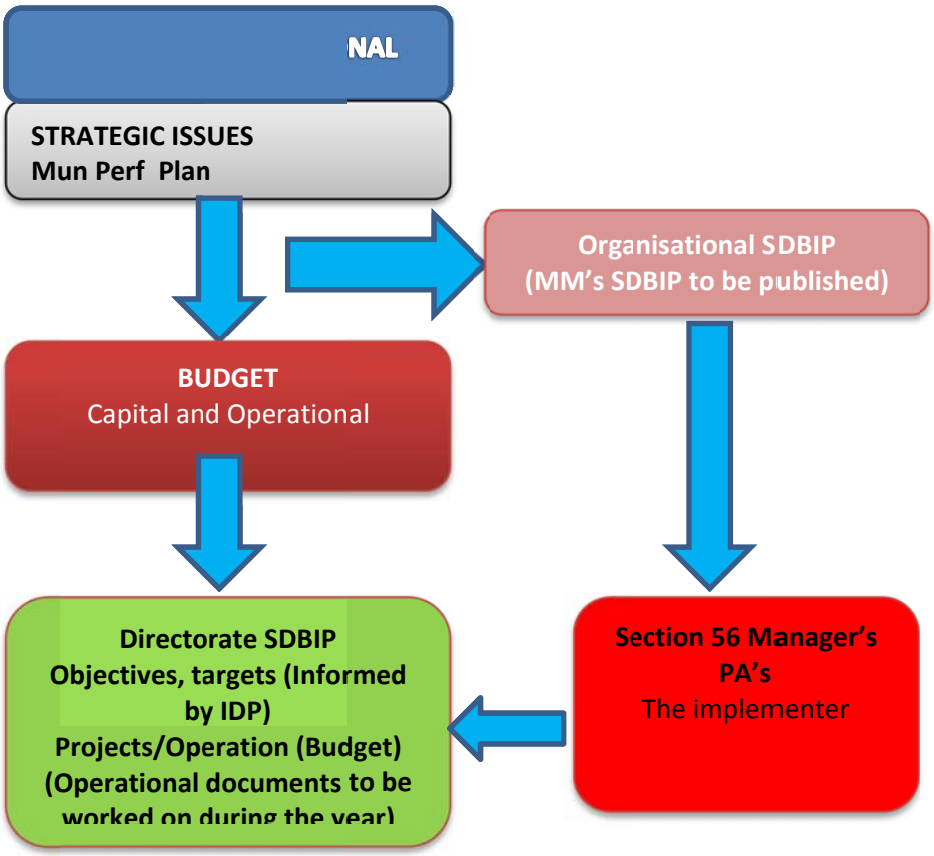
15. ANNUAL SDBIP – INTERNAL DEPARTMENTS

The Annual SDBIP gives effect to the implementation of the IDP and Budget of the Municipality. The IDP Objectives, Key Performance Indicators and Targets aligned to the Budget within each Key Performance Area in the Multi-year Municipal Performance Plan informs the SDBIP for the 2013/14 financial year and breaks it up into quarterly targets.

The Budget should ensure the implementation of the strategic priorities of the Municipality through the allocation of financial resources. The Budget is not an implementation or management plan. The SDBIP therefore serves as a "contract"

between the administration, council and the communities expressing the IDP Objectives (within each KPA) set by Council as quantifiable outputs that can be implemented by the administration in a specific financial year. This provides the basis for measuring performance in service delivery against end-of-year targets and implementing the budget.

The SDBIP is a layered plan with the top layer dealing with consolidated service delivery targets and in-year deadlines and linking such targets to the top management of the Municipality. Once the top-layer targets are set, the top management must then develop the next (lower) layer of detail of the SDBIP, by providing more detail on each output for which they are responsible for, and breaking up such outputs into smaller outputs and linking these to each junior manager.



"Top layer" SDBIP is used as a framework for the organisational Performance Management System. In terms of the individual performance management, the contracts for the Municipal Manager and section 56 managers have been implemented and the evaluation is done on a quarterly basis. As part of good governance the PMS will be introduced and cascaded down to the operational level in terms of operational KPI's and performance agreements for Section 56 managers. The implementation of the IDP and Budget is monitored, evaluated, reported and measured through the integrated
Performance Management System (PMS) to ensure that the resources available to the Municipality are directed at the delivery of prioritised projects, programmes and operations that meet the agreed IDP Objectives. Monitoring, evaluating, measuring and reporting performance will also assist the Municipality:

- To make immediate and appropriate changes in the prioritized delivery process and to adjust resources accordingly;
- Identify and overcome major or systemic blockages in the delivery process and
  Guide future planning on development objectives and resource use

NB SDBIP ATTACHED – Annexure C

16. ANNUAL BUDGETS AND SERVICE DELIVERY AGREEMENTS – MUNICIPAL ENTITIES

The multi-year budget and service delivery agreements of the LTLM Development Agency is attached as Annexure D & E

17. CONTRACT HAVING FUTURE BUDGETARY IMPLICATIONS

None in terms of section 33 (1) that exceeds 3 years.

18. CAPITAL EXPENDITURE DETAIL

Refer to schedule A 5- CAPEX above.

19. LEGISLATION COMPLIANCE STATUS

Municipal Finance Management Act

The Municipal Finance Management Act, No. 56 of 2003 came into effect on 1 July 2004. The Lekwa-Teemane Municipality was identified as a High Level Municipality, and as such had the responsibility of implementing the Act with few exemptions/delays allowed. The following main processes have been implemented in terms of the Municipal Finance Management Act:

- The budget process.
- Supply Chain Management. (Establishment of unit in progress)
- Conversion of Financial Statements to GRAP.
- Financial in-year reporting.
- Adjustment budgeting
- Annual reporting.
- Compilation and implementation of various policies.
- Compilation of procedural notes for main financial accounting processes.
- The budget and Treasury office has been established in accordance with the requirements (Implementation of new organogram for BTO in progress)
- Service Delivery and Budget Implementation plans are applied as monitoring tools
- Audit Committee has been established

Municipal Property Rates Act

The 2011/12 was a challenging budget year for Lekwa-Teemane Municipality, with 01 July 2011 being the compulsory date of first implementation of the Act and drafting of the rates policy. To this end, the municipality is currently implementing the approved policy. The objection process has not been finalised to date and the Municipality is busy to finalise the

section 53 notices to the objectors. The levying of agricultural land has not been implemented and the process to finalise the implementation thereof is also in progress

Compliance with Circular 51: Municipal Budget and Reporting Regulations

The 2013/14 budget has been prepared to comply with the requirements of the enacted Municipal Budget and Reporting Regulations. It for this reason that Council is urged to acquaint itself with the format, since Council will be expected to scrutinize and approved the budget prepared in terms of Gazette 32141.

Other Legislation

Lekwa-Teemane Municipality has complied with a number of other legislation, including the Local Government Municipal Systems Act, gazettes and circulars issued by National Treasuries on a continuous basis.

20. OTHER SUPPORTING DOCUMENTS

The benchmarking assessment by NT & PT is attached as Annexure F 1
Submission by Agri Christiana is attached as Annexure F 2

21. ANNUAL BUDGETS OF MUNICIPAL ENTITIES ATTACHED TO THE MUNICIPALITY'S ANNUAL BUDGET

The multi-year budget and service delivery agreements of the LTLM Development Agency is attached as Annexure D & E

22. MUNICIPAL MANAGERS QUALITY CERTIFICATION

Quality certificate

I, MA Makuapane, Municipal Manager of Lekwa-Teemane Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Municipal manager of Lekwa-Teemane Local Municipality

Signature **Date**

24 MAY 2013

PART 3 – TARIFF OF CHARGES - ANNEXURE G

PART 4 – REVIEWED IDP 2013/14 - ANNEXURE H